

# **AIRPORT COMMUNITY SCHOOLS**

**Carleton, Michigan**



## **FINANCIAL STATEMENTS**

**For The Year Ended June 30, 2007**



**REHMANN ROBSON**

*Certified Public Accountants*

# AIRPORT COMMUNITY SCHOOLS

For the Year Ended June 30, 2007

## TABLE OF CONTENTS

---

	<u>PAGE</u>
Independent Auditors' Report.....	1-2
Management's Discussion and Analysis.....	3-8
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets .....	9
Statement of Activities.....	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	11
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets .....	12
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	14
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	15-16
Statement of Fiduciary Net Assets.....	17
Notes to the Financial Statements .....	18-31
Combining Fund Financial Statements:	
Combining Balance Sheet – Nonmajor Governmental Funds .....	32
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds .....	33
Combining Balance Sheet – Nonmajor Special Revenue Funds .....	34
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds .....	35
Combining Balance Sheet – Nonmajor Capital Projects Funds.....	36
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Projects Funds .....	37
Appendix	
Single Audit	
Schedule of Expenditures of Federal Awards .....	38
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	39-40
Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 .....	41-42
Schedule of Findings and Questioned Costs .....	43-44



**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP



**INDEPENDENT AUDITORS' REPORT**

October 16, 2007

Board of Education  
Airport Community Schools  
Carleton, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **AIRPORT COMMUNITY SCHOOLS**, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Airport Community Schools, as of June 30, 2007, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Airport Community Schools' basic financial statements. The combining fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive, flowing style with a large initial 'L'.

## MANAGEMENT'S DISCUSSION and ANALYSIS

# AIRPORT COMMUNITY SCHOOLS

## Management's Discussion and Analysis (MD&A)

For the Fiscal Year Ended June 30, 2007

This section of Airport Community Schools' annual financial report presents our discussion and analysis of the School District's financial performance during the fiscal year ended June 30, 2007. Please read it in conjunction with the School District's financial statements, which immediately follow this section. This summary should not be taken as a replacement for the audit report which consists of the financial statements and other supplemental information that presents all the School District's revenues and expenditures by program for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

### Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Airport Community Schools financially as a whole. The **Government-wide Financial Statements** provide information about the activities of the School District as a whole and presents both a short-term and a long-term view of those finances. The **Fund Financial Statements** provide the next level of detail. For governmental activities, these statements explain how services were financed in the short-term as well as what remains for future spending. The **Fund Financial Statements** report the School District's operations in more detail than the **Government-wide Financial Statements** by providing information about the School District's most significant fund – the General Fund with all other funds presented in one column as non major funds. The remaining statement, the **Statement of Fiduciary Net Assets**, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. The following summary indicates how the various parts of this annual report are arranged:

*Management's Discussion and Analysis (MD&A)*  
*(Required Supplemental Information)*

#### **Basic Financial Statements**

*Government-wide Financial Statements Fund Financial Statements*

*Budgetary Information for Major Fund*

*Notes to the Basic Financial Statements*

*Other Supplemental Information*

### **Reporting the District as a Whole – Government Wide Financial Statements:**

**The Statement of Net Assets** and the **Statement of Activities**, which appear first in the School District's financial statements, report information on the School District as a whole in a manner similar to private-sector business. These statements include all assets and liabilities using the accrual basis of accounting which takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The relationship between revenues and expenses indicates the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools to assess the overall health of the School District.

### **Reporting the District's Most Significant Fund – Fund Financial Statements:**

The *Fund Financial Statements* provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. However, the School District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues. The School District's two types of funds, governmental and fiduciary, use different accounting approaches as further described below.

Governmental funds – Most of the School District's services are reported in governmental funds. Governmental fund reporting focuses on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a district's near-term financing requirements. They are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation format in the financial section on page 12.

Fiduciary funds – The School District is the trustee, or fiduciary, for its student activity funds. We exclude these activities from the District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### **Government Wide Financial Analysis:**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets as of June 30, 2007.

Table 1:

**Condensed Statements of Net Assets**  
**Governmental Activities**  
(in millions)

	<u>06/30/2007</u>	<u>06/30/2006</u>
Current and other assets	\$ 6.0	\$ 5.3
Capital assets	9.9	9.8
Other noncurrent assets	<u>          </u>	<u>          </u>
<b>Total Assets</b>	15.9	15.1
Current and other liabilities	2.3	2.8
Long-term liabilities	<u>8.6</u>	<u>8.5</u>
<b>Total Liabilities</b>	10.9	11.3
Net Assets		
Invested in capital assets, net of related debt	3.6	3.2
Restricted for debt service	.2	.2
Restricted for other purposes	.5	.1
Unrestricted	<u>.7</u>	<u>.3</u>
<b>Total Net Assets</b>	<u>\$ 5.0</u>	<u>\$ 3.8</u>

As depicted in Table 1, the School District's net assets were \$5.0 million at June 30, 2007. Of this amount, \$.7 million was unrestricted. This amount represents the accumulated results of all past years' operations. The unrestricted net asset balance is used for working capital and cash flow needs as well as to provide for future uncertainties. It means that if we had to pay off all of our bills today, including all of our noncapital liabilities (compensated absences for example); we would have \$.7 million left. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net assets for the fiscal year ended June 30, 2007.



Table 2:

**Statement of Activities**  
**Year Ended June 30, 2007**  
(in millions)

	<u>06/30/2007</u>	<u>06/30/2006</u>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 1.1	\$ 1.0
Operating grants	4.9	4.5
General revenues		
Property taxes	4.6	3.7
State sources	17.8	17.9
Other general revenues	<u>.1</u>	<u>.3</u>
<b>Total revenues</b>	28.5	27.4
<b>Functions/Program Expense</b>		
Instruction	15.5	15.9
Support services	9.3	9.1
Food services	1.1	1.2
Athletics	.5	.4
Payments to other districts	-	.4
Interest on long term debt	.5	.5
Unallocated depreciation	<u>.5</u>	<u>.5</u>
<b>Total expense</b>	<u>27.4</u>	<u>28.0</u>
<b>Increase (decrease) in net assets</b>	<u>\$ 1.1</u>	<u>\$ (.6)</u>

As indicated in Table 2, the cost of all of our governmental activities this year was \$27.4 million. Of the \$27.4 million, \$6.0 million was subsidized by revenue generated from Charges for Services, and Grants with the remaining costs financed with General Revenues. The School District experienced a \$1.1 million increase in net assets during fiscal year 2006-2007.

### **Fund Financial Analysis:**

As noted earlier, Airport School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the District is being held accountable for the resources taxpayers and others provide to it and may give more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$ 3,409,893 which is an increase of \$323,249 from last year. The changes by major and nonmajor funds are as follows:

	<b>General</b>	<b>Debt Service</b>	<b>Other</b>	<b>Total</b>
	<b>Fund</b>	<b>Fund</b>	<b>Nonmajor</b>	<b>Governmental</b>
			<b>Funds</b>	
<b>Fund balances - Beginning of year</b>	\$2,786,563	\$204,394	\$95,687	\$3,086,644
Increase (decrease)	(21,813)	(17,099)	362,161	323,249
<b>Fund balances – End of year</b>	<b>\$2,764,750</b>	<b>\$187,295</b>	<b>\$457,848</b>	<b>\$3,409,893</b>

There were no significant factors pertaining to the slight decrease in the School District's general fund balance.

### **General Fund Budgetary Highlights:**

The Uniform Budget Act of the State of Michigan requires the Board of Education to adopt the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule illustrating the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements. Revisions to the General Fund original budget were as follows:

**Revenues and other financing sources** – The original budget for revenues and other financing sources was \$25.7 million versus the final budget of \$26.8 million. Primary cause for the increase is due to loan proceeds for buses and the Waterford Project.

**Expenditures and other financing uses** – The original budget for expenditures was \$26 million compared to the final budget of \$27.2 million. An increase in technology capital expenditures, the purchase of schools buses and the payment of General Fund debt were the primary reasons for this increase.

### **Final Budget versus Actual Figures:**

- **Revenues and other financing sources**- Final budget for revenues was \$26.8 million compared to actual revenues of \$26.8 million. There were no significant variances between the final budget amounts and actual revenues.
- **Expenditures and other financing uses** – Final budget for expenditures was \$27.2 million compared to actual expenditures of \$26.8 million. Only notable variance between budgeted expenditures and actual was the funds remaining for technology expenditures which amounted to approximately \$77,000.

## **Capital Asset and Debt Administration:**

### **Capital Assets**

At June 30, 2007, the School District had \$9.9 million invested in capital assets net of accumulated depreciation. The majority of the acquisitions were for land, buildings and non-building improvements and buses. Depreciation for this year totaled \$508,487. Detailed information regarding capital assets is included in the Notes to the Financial Statements.

### **Debt**

At June 30, 2007, the School District had \$6.7 million in outstanding bonds and notes payable. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries.

Other obligations include accrued compensated absences and retirement incentives which had a balance of \$2.1 million at June 30, 2007. More detailed information about long-term liabilities is presented in the Notes to the Financial Statements.

## **Development of the 2007-08 Fiscal Year Budget**

Our elected officials and administration consider many factors when setting the School District's 2007-08 fiscal year budgets. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2008 fiscal year is anticipated to be 25 percent of the February 2007 and 75 percent of the September 2007 student counts. The 2007-08 General Fund budget was adopted in June 2007, based on an estimate of students that will be enrolled in September 2007. Approximately 80% of total revenue is from the State Aid Foundation Grants. Based on early enrollment data at the start of the 2007-08 school year, we anticipate that the fall student count will be on target with the estimates used in creating the 2007-08 budget.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimates that funds are sufficient to fund the appropriations to school districts for the 2007 foundation allowance. Upon final validation of the fiscal year's foundation level and student count, the District will amend the budget accordingly.

## **Contacting Airport Community Schools Business Office:**

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors and creditors with a general overview of the School District's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, 11270 Grafton Rd., Carleton, MI 48117.

## BASIC FINANCIAL STATEMENTS

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

**AIRPORT COMMUNITY SCHOOLS**  
**Statement of Net Assets**  
**June 30, 2007**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,948,554
Receivables	3,974,437
Prepaid items and other assets	47,230
Deferred bond issuance costs	72,207
Capital assets not being depreciated	1,346,413
Capital assets, net of accumulated depreciation	<u>8,524,364</u>
<b>Total assets</b>	<u>15,913,205</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	2,257,831
Unearned revenue	42,806
Long-term debt:	
Due within one year	789,090
Due in more than one year	<u>7,868,303</u>
<b>Total liabilities</b>	<u>10,958,030</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	3,573,957
Restricted for:	
Debt service	184,908
Other purposes	457,848
Unrestricted	<u>738,462</u>
<b>Total net assets</b>	<u><u>\$ 4,955,175</u></u>

The accompanying notes are an integral part of these financial statements.

# AIRPORT COMMUNITY SCHOOLS

## Statement of Activities For the Year Ended June 30, 2007

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Instruction	\$ 15,497,232	\$ 148,573	\$ 3,463,859	\$ (11,884,800)
Supporting services	9,245,502	97,091	935,378	(8,213,033)
Community service	90,231	-	-	(90,231)
Athletics	449,354	144,868	-	(304,486)
Food service	1,137,373	670,155	508,734	41,516
Payments to other districts	27,773	-	-	(27,773)
Interest on long-term debt	487,086	814	-	(486,272)
Unallocated depreciation	508,487	-	-	(508,487)
Total	<u>\$ 27,443,038</u>	<u>\$ 1,061,501</u>	<u>\$ 4,907,971</u>	<u>(21,473,566)</u>
General revenues:				
Property taxes				4,649,955
Unrestricted state aid				17,768,425
Grants and contributions not restricted to specific programs				69,385
Gain on sale of capital assets				15,308
Unrestricted investment earnings				<u>82,726</u>
Total general revenues				<u>22,585,799</u>
Change in net assets				1,112,233
Net assets, beginning of year				<u>3,842,942</u>
Net assets, end of year				<u>\$ 4,955,175</u>

The accompanying notes are an integral part of these financial statements.

## FUND FINANCIAL STATEMENTS



# AIRPORT COMMUNITY SCHOOLS

## Balance Sheet Governmental Funds June 30, 2007

<u>ASSETS</u>	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Totals</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,406,438	\$ 179,638	\$ 362,478	\$ 1,948,554
Accounts receivable	56,895	-	30,465	87,360
Due from other governments	3,516,002	293,528	77,547	3,887,077
Due from other funds	12,030	-	-	12,030
Prepaid expenditures	47,230	-	-	47,230
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 5,038,595</u></b>	<b><u>\$ 473,166</u></b>	<b><u>\$ 470,490</u></b>	<b><u>\$ 5,982,251</u></b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 132,280	\$ -	\$ 215	\$ 132,495
Salaries and benefits payable	2,050,345	-	397	2,050,742
Due to other funds	-	-	12,030	12,030
Deferred revenue	91,220	285,871	-	377,091
 Total liabilities	 <u>2,273,845</u>	 <u>285,871</u>	 <u>12,642</u>	 <u>2,572,358</u>
<b>Fund balances</b>				
Reserved for:				
Prepaid expenditures	39,685	-	-	39,685
Prepaid expenditures - technology	7,545	-	-	7,545
Technology	87,534	-	-	87,534
Unreserved:				
Designated for subsequent year's expenditures	603,963	-	-	603,963
Undesignated	2,026,023	187,295	-	2,213,318
Undesignated, reported in nonmajor:				
Special revenue funds	-	-	137,094	137,094
Capital project funds	-	-	320,754	320,754
 Total fund balances	 <u>2,764,750</u>	 <u>187,295</u>	 <u>457,848</u>	 <u>3,409,893</u>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 5,038,595</u></b>	<b><u>\$ 473,166</u></b>	<b><u>\$ 470,490</u></b>	<b><u>\$ 5,982,251</u></b>

The accompanying notes are an integral part of these financial statements.

**AIRPORT COMMUNITY SCHOOLS**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**June 30, 2007**

Fund balances - total governmental funds	\$ 3,409,893
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add: capital assets	18,548,276
Deduct: accumulated depreciation	(8,677,499)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.	
Add: deferred Durant receivable from MDE	334,285
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct: bonds, notes, and capital leases payable	(6,703,092)
Add: unamortized bond discount	31,378
Add: deferred charge on refunding	89,023
Add: deferred bond issuance costs	72,207
Deduct: accrued interest on bonds payable	(74,594)
Deduct: compensated absences	(1,502,935)
Deduct: retirement incentive payable	(571,767)
Net assets of governmental activities	<u>\$ 4,955,175</u>

The accompanying notes are an integral part of these financial statements.

**AIRPORT COMMUNITY SCHOOLS**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2007**

	<b>General</b>	<b>Debt Service</b>	<b>Nonmajor Funds</b>	<b>Totals</b>
<b>Revenue</b>				
Local sources	\$ 6,048,651	\$ 614,631	\$ 1,329,053	\$ 7,992,335
State sources	19,505,773	-	69,472	19,575,245
Federal sources	581,536	-	439,262	1,020,798
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	26,135,960	614,631	1,837,787	28,588,378
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>				
Instruction	15,971,506	-	-	15,971,506
Supporting services	9,570,573	-	-	9,570,573
Transfers to other districts	27,773	-	-	27,773
Athletics	-	-	449,354	449,354
Food service	-	-	1,137,373	1,137,373
Community services	90,231	-	-	90,231
Capital outlay	-	-	193,385	193,385
Debt service:				
Principal repayment	755,137	239,803	-	994,940
Interest and fiscal charges	87,478	391,927	-	479,405
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	26,502,698	631,730	1,780,112	28,914,540
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	(366,738)	(17,099)	57,675	(326,162)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Other financing sources (uses)</b>				
Proceeds from loans	634,103	-	-	634,103
Proceeds from sale of capital assets	15,308	-	-	15,308
Transfers in	-	-	304,486	304,486
Transfers out	(304,486)	-	-	(304,486)
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources	344,925	-	304,486	649,411
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	(21,813)	(17,099)	362,161	323,249
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances, beginning of year	2,786,563	204,394	95,687	3,086,644
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund balances, end of year</b>	<u><u>\$ 2,764,750</u></u>	<u><u>\$ 187,295</u></u>	<u><u>\$ 457,848</u></u>	<u><u>\$ 3,409,893</u></u>

The accompanying notes are an integral part of these financial statements.

**AIRPORT COMMUNITY SCHOOLS**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2007**

Net change in fund balances - total governmental funds	\$ 323,249
--	------------

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	507,599
Deduct: depreciation expense	(508,487)

The receipt of a long-term receivable represents revenue in the fund financial statements, but is reported as a reduction of the receivable in the statement of activities.

Deduct: payments received on long-term receivables	(48,415)
--	----------

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net

Add: principal payments on long-term liabilities	994,940
Deduct: loan proceeds	(634,103)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add: decrease in accrued interest payable on bonds	22,662
Deduct: amortization of bond discounts, refunding premium, and issuance costs	(30,343)
Add: decrease in the accrual for compensated absences	199,248
Add: decrease in the accrual for retirement incentives	285,883

Change in net assets of governmental activities	\$ <u>1,112,233</u>
---	---------------------

The accompanying notes are an integral part of these financial statements.

**AIRPORT COMMUNITY SCHOOLS**  
**Statement of Revenue, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2007**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Over (Under) Final Budget</b>
<b>Revenue</b>				
Local sources:				
Property taxes	\$ 3,574,000	\$ 3,502,108	\$ 3,528,336	\$ 26,228
Earnings on investments and deposits	45,000	77,072	82,726	5,654
Other local revenues	2,075,669	2,382,614	2,437,589	54,975
Total revenue from local sources	5,694,669	5,961,794	6,048,651	86,857
State sources:				
State school aid - unrestricted	17,806,460	17,768,424	17,768,425	1
Special education	1,067,930	1,169,329	1,169,328	(1)
At risk	427,000	463,544	463,279	(265)
Durant settlement	48,415	48,415	48,415	-
Other	31,100	93,102	56,326	(36,776)
Total revenue from state sources	19,380,905	19,542,814	19,505,773	(37,041)
Federal sources:				
Title I	430,254	412,682	404,213	(8,469)
Title II-A	130,689	189,269	166,496	(22,773)
Title II-D	8,027	4,417	4,417	-
Title III	-	3,425	1,587	(1,838)
Title V	1,320	1,279	1,279	-
Drug free schools	5,000	3,544	3,544	-
Perkins	20,000	-	-	-
Tech prep	2,500	-	-	-
Total revenue from federal sources	597,790	614,616	581,536	(33,080)
Total revenue	25,673,364	26,119,224	26,135,960	16,736
<b>Expenditures</b>				
Instruction:				
Basic Programs:				
Elementary	5,161,773	5,433,657	5,404,832	(28,825)
Middle/Junior High	3,058,117	3,102,968	3,060,187	(42,781)
High School	4,112,791	4,325,430	4,311,761	(13,669)
Preschool	20,864	37,564	34,358	(3,206)
Added Needs	3,230,982	3,195,418	3,160,368	(35,050)
Total instruction	15,584,527	16,095,037	15,971,506	(123,531)

continued...

**AIRPORT COMMUNITY SCHOOLS**  
**Statement of Revenue, Expenditures and**  
**Changes in Fund Balance - Budget and Actual (Concluded)**  
**General Fund**  
**For the Year Ended June 30, 2007**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Over (Under) Final Budget</b>
Supporting Services:				
Instructional staff	\$ 498,020	\$ 586,500	\$ 574,044	\$ (12,456)
Pupil services	1,366,249	1,361,971	1,350,432	(11,539)
General administration	328,742	328,298	313,025	(15,273)
School administration	1,493,064	1,462,866	1,448,761	(14,105)
Business services	475,718	533,591	526,238	(7,353)
Central services	976,094	907,311	874,390	(32,921)
Operations and maintenance	2,557,474	2,525,039	2,462,867	(62,172)
Pupil transportation	1,872,294	2,043,719	2,020,816	(22,903)
Total supporting services	<u>9,567,655</u>	<u>9,749,295</u>	<u>9,570,573</u>	<u>(178,722)</u>
Transfers to other districts	<u>50,000</u>	<u>27,773</u>	<u>27,773</u>	<u>-</u>
Community services	<u>118,057</u>	<u>101,705</u>	<u>90,231</u>	<u>(11,474)</u>
Debt Service:				
Principal repayment	309,153	819,148	755,137	(64,011)
Interest and fiscal charges	57,295	99,213	87,478	(11,735)
Total debt service	<u>366,448</u>	<u>918,361</u>	<u>842,615</u>	<u>(75,746)</u>
Total expenditures	<u>25,686,687</u>	<u>26,892,171</u>	<u>26,502,698</u>	<u>(389,473)</u>
Revenue over (under) expenditures	<u>(13,323)</u>	<u>(772,947)</u>	<u>(366,738)</u>	<u>406,209</u>
<b>Other financing sources (uses)</b>				
Proceeds from loans	-	634,103	634,103	-
Proceeds from sale of capital assets	-	15,308	15,308	-
Transfers out	<u>(316,000)</u>	<u>(315,561)</u>	<u>(304,486)</u>	<u>11,075</u>
Total other financing sources (uses)	<u>(316,000)</u>	<u>333,850</u>	<u>344,925</u>	<u>11,075</u>
Net changes in fund balance	(329,323)	(439,097)	(21,813)	417,284
Fund balance, beginning of year	<u>2,786,563</u>	<u>2,786,563</u>	<u>2,786,563</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 2,457,240</u></u>	<u><u>\$ 2,347,466</u></u>	<u><u>\$ 2,764,750</u></u>	<u><u>\$ 417,284</u></u>

The accompanying notes are an integral part of these financial statements.

**AIRPORT COMMUNITY SCHOOLS**  
**Statement of Fiduciary Net Assets**  
**All Fiduciary Funds**  
**June 30, 2007**

	<b>Agency Fund</b>
	<hr/>
<b>Assets</b>	
Cash and cash equivalents	<u><u>\$      317,889</u></u>
 <b>Liabilities</b>	
Due to student groups and activities	<u><u>\$      317,889</u></u>

The accompanying notes are an integral part of these financial statements.

## NOTES to the FINANCIAL STATEMENTS



# AIRPORT COMMUNITY SCHOOLS

## Notes to the Financial Statements

---

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting entity

The Airport Community Schools (the “District”) has followed the guidelines of the Governmental Accounting Standards Board’s Statement No. 14 and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

#### B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year ended June 30, 2007.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# AIRPORT COMMUNITY SCHOOLS

## Notes to the Financial Statements

---

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes received and grant and interest revenue earned within the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *debt service fund* is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

Additionally, the District reports the following fund types:

The *special revenue funds* are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes, where there is a need to determine the results of operations.

The *capital projects funds* are used to account for the financial resources to be used for the acquisition or construction of major capital facilities improvements.

The *agency fund* accounts for assets held for other groups and organizations and is custodial in nature.

# AIRPORT COMMUNITY SCHOOLS

## Notes to the Financial Statements

---

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

### **D. Assets, liabilities and equity**

#### **1. Cash and cash equivalents/investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value.

#### **2. Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

#### **3. Inventory**

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the General Fund consists of expendable supplies held for consumption. The cost is recorded as an expenditure when consumed rather than when purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

# AIRPORT COMMUNITY SCHOOLS

## Notes to the Financial Statements

---

### 4. *Capital assets*

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	45
Vehicles	5-10
Equipment	5-20

### 5. *Compensated absences*

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and sick leave for employees with five years of seniority with the district and employees sixty years of age and older are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

### 6. *Long-term obligations*

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net assets. Where applicable, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received in debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual proceeds received, are reported as debt service expenditures.

# AIRPORT COMMUNITY SCHOOLS

## Notes to the Financial Statements

---

### 7. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The General and Special Revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted and as amended by the Board of Education. The budgets for the General and Special Revenue Funds are adopted on a functional basis.

### B. Sinking Fund

The Sinking Fund Capital Project Fund records capital project activities funded with Sinking Fund millage. For these activities, the School District has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan.

## III. DETAILED NOTES ON ALL FUNDS

### A. Deposits and investments

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets follows:

<b>Statement of Net Assets:</b>	
Cash and cash equivalents	\$ 1,948,554
<b>Statement of Fiduciary Net Assets:</b>	
Cash and cash equivalents	<u>317,889</u>
	<b><u>\$ 2,266,443</u></b>
<b>Bank deposits</b>	<b><u>\$ 2,266,443</u></b>

# AIRPORT COMMUNITY SCHOOLS

## Notes to the Financial Statements

---

### Statutory Authority

State statutes authorize the District to invest in:

- (a) Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- (b) Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- (e) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- (f) Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The District's investment policy allows for all of these types of investments.

# AIRPORT COMMUNITY SCHOOLS

## Notes to the Financial Statements

---

### **Investment and deposit risk**

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment credit risk. The District held no investments at year end.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end, \$2,541,518 of the District's bank balance of \$2,641,525 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. The District held no investments at year end.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. The District held no investments at year end.

# AIRPORT COMMUNITY SCHOOLS

## Notes to the Financial Statements

### B. Receivables

Receivables as of year end for the District's individual major funds and nonmajor funds in the aggregate, are as follows:

	<u>General Fund</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>	<u>Amounts not Expected to be Collected Within One Year</u>
<b>Receivables:</b>					
Accounts	\$ 56,895	\$ -	\$ 30,465	\$ 87,360	\$ -
Intergovernmental	3,467,588	7,657	77,547	3,552,792	-
Durant settlement	<u>48,414</u>	<u>285,871</u>	<u>-</u>	<u>334,285</u>	<u>285,871</u>
	<u><b>\$ 3,572,897</b></u>	<u><b>\$ 293,528</b></u>	<u><b>\$ 108,012</b></u>	<u><b>\$ 3,974,437</b></u>	<u><b>\$ 285,871</b></u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
General Fund	\$ 48,414	\$ 42,806
Debt Service	<u>285,871</u>	<u>-</u>
	<u><b>\$ 334,285</b></u>	<u><b>\$ 42,806</b></u>



# AIRPORT COMMUNITY SCHOOLS

## Notes to the Financial Statements

### C. Capital assets

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 1,331,374	\$ -	\$ -	\$ 1,331,374
Construction in progress	-	15,039	-	15,039
Total capital assets not being depreciated	<u>1,331,374</u>	<u>15,039</u>	<u>-</u>	<u>1,346,413</u>
Capital assets, being depreciated:				
Buildings and improvements	11,289,385	173,131	-	11,462,516
Land improvements	592,302	-	-	592,302
Equipment and furniture	1,586,256	56,473	18,022	1,624,707
Vehicles	89,718	-	-	89,718
School buses	2,646,503	262,956	323,698	2,585,761
Educational media	846,859	-	-	846,859
Total capital assets being depreciated	<u>17,051,023</u>	<u>492,560</u>	<u>341,720</u>	<u>17,201,863</u>
Less accumulated depreciation for:				
Buildings and improvements	4,318,387	211,948	-	4,530,335
Land improvements	274,209	24,963	-	299,172
Equipment and furniture	849,237	109,853	18,022	941,068
Vehicles	58,662	9,247	-	67,909
School buses	2,163,378	152,476	323,698	1,992,156
Educational media	846,859	-	-	846,859
Total accumulated depreciation	<u>8,510,732</u>	<u>508,487</u>	<u>341,720</u>	<u>8,677,499</u>
Total capital assets being depreciated, net	<u>8,540,291</u>	<u>(15,927)</u>	<u>-</u>	<u>8,524,364</u>
<b>Governmental activities capital assets, net</b>	<u><b>\$ 9,871,665</b></u>	<u><b>\$ (888)</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 9,870,777</b></u>

Depreciation expense of \$508,487 was charged to the function “unallocated depreciation”, and was not allocated to the other functions.

# AIRPORT COMMUNITY SCHOOLS

## Notes to the Financial Statements

---

### D. Payables

Accounts payable and accrued liabilities as of year end for the District's individual major funds and nonmajor funds in the aggregate, are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>Fund Financial Statements:</b>				
Accounts payable	\$ 132,280	\$ -	\$ 215	\$ 132,495
Salaries and benefits payable	<u>2,050,345</u>	<u>-</u>	<u>397</u>	<u>2,050,742</u>
	<u><b>\$ 2,182,625</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 612</b></u>	<u><b>2,183,237</b></u>
<b>District-Wide Financial Statements:</b>				
Accrued interest on long-term debt				<u>74,594</u>
				<u><b>\$ 2,257,831</b></u>

### E. Interfund receivables, payables, and transfers

At June 30, 2007, the General Fund reported an interfund receivable of \$12,030 and non-major governmental funds reported an interfund payable of \$12,030.

For the year ended June 30, 2007, interfund transfers consisted of \$304,486 in transfers from the General Fund to non-major governmental funds.

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the year ended June 30, 2007, the District transferred funds from the General Fund to subsidize the athletics program.

# AIRPORT COMMUNITY SCHOOLS

## Notes to the Financial Statements

### F. Long-term debt

The following is a summary of bond, note, and compensated absence transactions of the District for the year ended June 30, 2007:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
General obligation bonds	\$6,305,564	\$ -	\$ 344,803	\$ 5,960,761	\$ 353,600
Less deferred amounts:					
Unamortized bond discount	(50,204)	-	(18,826)	(31,378)	(18,826)
Refunding bond premium	(95,382)	-	(6,359)	(89,023)	(6,359)
Subtotal	6,159,978	-	319,618	5,840,360	328,415
Other installment debt	758,365	634,103	650,137	742,331	74,229
Compensated absences	1,702,183	208,816	408,064	1,502,935	100,563
Retirement incentive payable	857,650	-	285,883	571,767	285,883
	<b><u>\$9,478,176</u></b>	<b><u>\$ 842,919</u></b>	<b><u>\$1,663,702</u></b>	<b><u>\$ 8,657,393</u></b>	<b><u>\$ 789,090</u></b>

Bonds payable at June 30, 2007, are comprised of the following issues:

#### General Obligation Bonds:

\$5,410,000 2004 Refunding Bonds, due in annual installments of \$125,000 to \$430,000 through May 1, 2021; interest at 2.00% to 4.30%	\$ 5,090,000
--	--------------

\$860,000 1999 Capital Improvement Bonds, due in annual installments of \$65,000 to \$110,000 through April 1, 2010; interest at 5.30%	245,000
--	---------

\$2,444,174 1992 Building and Site and Refunding Bonds, due in annual installments of \$108,009 to \$118,600 through May 1, 2010; interest at 6.35% to 6.95%	339,890
--	---------

* \$484,147 1998 Durant School Improvement Bonds, due in annual installments of \$21,348 to \$49,626 through 2013; interest at 4.8%	<u>285,871</u>
---	----------------

<b>Total General Obligation Bonds Payable</b>	<b><u>\$ 5,960,761</u></b>
---	----------------------------

\* The Durant School Improvement Bonds are serviced from funds made available to Michigan School Districts by an annual appropriation by the Michigan State Legislature. If the Legislature does not appropriate the funding required, the District is not liable to pay the debt service.

# AIRPORT COMMUNITY SCHOOLS

## Notes to the Financial Statements

### Other Installment Debt:

\$371,147 2007 Waterford Project due in annual installments \$74,229 through March 29, 2012; interest at 4.20%	\$ 371,147
\$530,000 2002 Land Contract Payable, due in annual installments of \$53,000 through September 21, 2011; interest at 4.75%	212,000
\$213,179 2001 Land Contract Payable, due in annual installments of \$21,318 through December 19, 2010; interest at 5.50%	63,954
\$220,932 2005 Installment Note, due in annual installments of \$46,380 through \$48,850 through September 15, 2009; interest at 5.20%	<u>95,230</u>
<b>Total Other Installment Debt</b>	<b><u>\$ 742,331</u></b>

Compensated absences and the retirement incentive payable are generally liquidated by the general fund.

Annual debt service requirements to maturity for general obligation bonds and other installment debt are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2008	\$ 427,829	\$ 433,278	\$ 861,107
2009	662,855	519,471	1,182,326
2010	528,632	460,804	989,436
2011	603,118	195,887	799,005
2012	583,207	174,870	758,077
2013-2017	2,177,451	610,252	2,787,703
2018-2021	<u>1,720,000</u>	<u>183,610</u>	<u>1,903,610</u>
<b>Totals</b>	<b><u>\$ 6,703,092</u></b>	<b><u>\$ 2,578,172</u></b>	<b><u>\$ 9,281,264</u></b>

# AIRPORT COMMUNITY SCHOOLS

## Notes to the Financial Statements

---

### IV. OTHER INFORMATION

#### A. Risk management

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The District has purchased commercial insurance for general liability, property and casualty and health claims and participates in the MASB/SET-SEG (risk pool) for claims relating to employee injuries/workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

#### B. Property taxes

Property taxes are assessed as of December 31, and attach as an enforceable lien on property as of December 1 of the following year. Taxes are levied on July 1 and December 1 and are due on September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year end). Amounts received subsequent to August 31 are recognized as revenue when collected.

#### C. Defined benefit pension plan

##### Plan Description

The Airport Community Schools contributes to the Michigan Public School Employees Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor and disability benefits, and death benefits to plan members and beneficiaries. Benefit provisions are established and must be amended by state statute.

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling 1-800-381-5111.

# AIRPORT COMMUNITY SCHOOLS

## Notes to the Financial Statements

---

### **Funding Policy**

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Basic Plan members make no contributions. Airport Community Schools is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

The current rate is 17.74% of annual covered payroll. The contribution requirements of plan members and Airport Community Schools are established by Michigan State statute and may be amended only by action of the State Legislature. The School District's contributions to MPSERS for the years ended June 30, 2007, 2006 and 2005 were \$2,437,649 \$2,345,507, and \$2,166,794, respectively, equal to the required contributions for each year.

During the year ended June 30, 2007, the Office of Retirement Systems issued a credit to all Michigan school districts against the MPSERS contribution for the 2006/07 fiscal year by reducing State Aid cash payments. The amount of the credit for the District is \$397,841.

### **Other Postemployment Benefits**

Retirees have the option of health coverage which is funded on a cash disbursement basis by the employers. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

1. Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.
2. Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with the vested deferred benefits, are eligible for partially employer paid health benefit coverage (no payment if less than 21 years of service).

\* \* \* \* \*

## COMBINING FUND FINANCIAL STATEMENTS

**AIRPORT COMMUNITY SCHOOLS**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2007**

<u><b>ASSETS</b></u>	<u><b>Special Revenue</b></u>	<u><b>Capital Projects</b></u>	<u><b>Totals</b></u>
<b>Assets</b>			
Cash and cash equivalents	\$ 48,194	\$ 314,284	\$ 362,478
Accounts receivable	30,465	-	30,465
Due from other governments	71,077	6,470	77,547
	<hr/>	<hr/>	<hr/>
<u><b>TOTAL ASSETS</b></u>	<u><u>\$ 149,736</u></u>	<u><u>\$ 320,754</u></u>	<u><u>\$ 470,490</u></u>
 <u><b>LIABILITIES AND FUND BALANCES</b></u>			
<b>Liabilities</b>			
Accounts payable	\$ 215	\$ -	\$ 215
Salaries and benefits payable	397	-	397
Due to other funds	12,030	-	12,030
	<hr/>	<hr/>	<hr/>
Total liabilities	12,642	-	12,642
 <b>Fund balances</b>			
Unreserved, undesignated	137,094	320,754	457,848
	<hr/>	<hr/>	<hr/>
<u><b>TOTAL LIABILITIES AND FUND BALANCES</b></u>	<u><u>\$ 149,736</u></u>	<u><u>\$ 320,754</u></u>	<u><u>\$ 470,490</u></u>



**AIRPORT COMMUNITY SCHOOLS**  
**Combining Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2007**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals</u>
<b>Revenue</b>			
Local sources:			
Property taxes	\$ -	\$ 507,802	\$ 507,802
Earnings on investments	5,873	6,228	12,101
Other local revenues	809,150	-	809,150
State sources	69,472	-	69,472
Federal sources	439,262	-	439,262
	<u>1,323,757</u>	<u>514,030</u>	<u>1,837,787</u>
Total revenue			
	<u>1,323,757</u>	<u>514,030</u>	<u>1,837,787</u>
<b>Expenditures</b>			
Athletics	449,354	-	449,354
Food service	1,137,373	-	1,137,373
Capital outlay	-	193,385	193,385
	<u>1,586,727</u>	<u>193,385</u>	<u>1,780,112</u>
Total expenditures			
	<u>1,586,727</u>	<u>193,385</u>	<u>1,780,112</u>
Revenue over (under) expenditures	(262,970)	320,645	57,675
<b>Other financing sources</b>			
Transfers in	304,486	-	304,486
	<u>304,486</u>	<u>-</u>	<u>304,486</u>
Net changes in fund balances	41,516	320,645	362,161
Fund balances, beginning of year	95,578	109	95,687
	<u>95,578</u>	<u>109</u>	<u>95,687</u>
<b>Fund balances, end of year</b>	<u>\$ 137,094</u>	<u>\$ 320,754</u>	<u>\$ 457,848</u>

**AIRPORT COMMUNITY SCHOOLS**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2007**

	<u>Athletics</u>	<u>Food Service</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
<b>Assets</b>			
Cash and cash equivalents	\$ 592	\$ 47,602	\$ 48,194
Accounts receivable	2,845	27,620	30,465
Due from other governments	-	71,077	71,077
	<u>          </u>	<u>          </u>	<u>          </u>
 <b><u>TOTAL ASSETS</u></b>	 <u>\$ 3,437</u>	 <u>\$ 146,299</u>	 <u>\$ 149,736</u>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 215	\$ 215
Salaries and benefits payable	397	-	397
Due to other funds	3,040	8,990	12,030
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	3,437	9,205	12,642
 <b>Fund balances</b>			
Unreserved, undesignated	<u>-</u>	<u>137,094</u>	<u>137,094</u>
 <b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	 <u>\$ 3,437</u>	 <u>\$ 146,299</u>	 <u>\$ 149,736</u>

**AIRPORT COMMUNITY SCHOOLS**  
**Combining Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended June 30, 2007**

	<u>Athletics</u>	<u>Food Service</u>	<u>Total</u>
<b>Revenue</b>			
Local sources:			
Interest	\$ 1,118	\$ 4,755	\$ 5,873
Miscellaneous	143,750	665,400	809,150
Total revenue from local sources	<u>144,868</u>	<u>670,155</u>	<u>815,023</u>
State sources	-	69,472	69,472
Federal sources	<u>-</u>	<u>439,262</u>	<u>439,262</u>
Total revenue	<u>144,868</u>	<u>1,178,889</u>	<u>1,323,757</u>
<b>Expenditures</b>			
Athletics	449,354	-	449,354
Food service	<u>-</u>	<u>1,137,373</u>	<u>1,137,373</u>
Total expenditures	<u>449,354</u>	<u>1,137,373</u>	<u>1,586,727</u>
Revenue over (under) expenditures	(304,486)	41,516	(262,970)
<b>Other financing sources</b>			
Transfers in from other funds	<u>304,486</u>	<u>-</u>	<u>304,486</u>
Net changes in fund balances	-	41,516	41,516
Fund balances, beginning of year	<u>-</u>	<u>95,578</u>	<u>95,578</u>
<b>Fund balances, end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ 137,094</u></u>	<u><u>\$ 137,094</u></u>

**AIRPORT COMMUNITY SCHOOLS**  
**Combining Balance Sheet**  
**Nonmajor Capital Projects Funds**  
**June 30, 2007**

<u><b>ASSETS</b></u>	<u><b>Capital Projects</b></u>	<u><b>Sinking Fund</b></u>	<u><b>Totals</b></u>
<b>Assets</b>			
Cash and cash equivalents	\$ 113	\$ 314,171	\$ 314,284
Due from other governments	<u>-</u>	<u>6,470</u>	<u>6,470</u>
 <u><b>TOTAL ASSETS</b></u>	 <u>\$ 113</u>	 <u>\$ 320,641</u>	 <u>\$ 320,754</u>
 <u><b>FUND BALANCES</b></u>			
<b>Fund balances</b>			
Unreserved, undesignated	<u>\$ 113</u>	<u>\$ 320,641</u>	<u>\$ 320,754</u>

**AIRPORT COMMUNITY SCHOOLS**  
**Combining Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Nonmajor Capital Projects Funds**  
**For the Year Ended June 30, 2007**

	<u>Capital Projects</u>	<u>Sinking Fund</u>	<u>Totals</u>
<b>Revenue</b>			
Local sources:			
Property taxes	\$ -	\$ 507,802	\$ 507,802
Earnings on investments	4	6,224	6,228
	<u>4</u>	<u>6,224</u>	<u>6,228</u>
Total revenue	4	514,026	514,030
<b>Expenditures</b>			
Capital outlay	-	193,385	193,385
	<u>-</u>	<u>193,385</u>	<u>193,385</u>
Net changes in fund balances	4	320,641	320,645
Fund balances, beginning of year	109	-	109
	<u>109</u>	<u>-</u>	<u>109</u>
<b>Fund balances, end of year</b>	<u>\$ 113</u>	<u>\$ 320,641</u>	<u>\$ 320,754</u>

## APPENDIX

**AIRPORT COMMUNITY SCHOOLS**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2007**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Approved Award/ Grant Amount	Accrued Revenue, Beginning of Year	Current Year Receipts	Current Year Expenditures	Accrued Revenue, End of Year
<b>U.S. DEPARTMENT OF AGRICULTURE</b>							
Direct Program -							
Food Distribution:							
Entitlement commodities	10.550	33904	\$ 49,607	\$ -	\$ 44,576	\$ 44,576	\$ -
Bonus commodities	10.550	33904	-	-	1,035	1,035	-
				-	45,611	45,611	-
Passed-through Michigan Department of Education							
School Breakfast	10.553	61970	4,813	-	4,813	4,813	-
School Breakfast	10.553	71970	67,643	-	55,622	67,643	12,021
				-	60,435	72,456	12,021
National School Lunch:							
Section 4	10.555	61950	5,194	-	5,194	5,194	-
Section 4	10.555	71950	53,181	-	44,274	53,181	8,907
Section 11	10.555	61960	20,265	-	20,265	20,265	-
Section 11	10.555	71960	241,590	-	200,626	241,590	40,964
Section 11 Snacks	10.555	71980	112	-	71	112	41
				-	270,430	320,342	49,912
Special Milk Program for Children	10.556	61940	26	-	26	26	-
Special Milk Program for Children	10.556	71940	827	-	673	827	154
				-	699	853	154
Total U.S. Department of Agriculture				-	377,175	439,262	62,087
<b>U.S. DEPARTMENT OF EDUCATION</b>							
Passed-through Monroe Intermediate School District							
Drug Free Schools & Communities	84.186			10,305	10,305	3,544	3,544
Passed-through Michigan Department of Education							
2005-06 Title I, Part A, Carryove:	84.010	061530/0607	430,254	(46)	8,212	8,258	-
2006-07 Title I, Part A	84.010	071530/0607	413,304	-	277,467	395,955	118,488
				(46)	285,679	404,213	118,488
2005-06 Title V Innovative Program	84.298	060250/0607	635	-	635	635	-
2006-07 Title V Innovative Program	84.298	070250/0607	644	-	644	644	-
				-	1,279	1,279	-
2006-07 Title II, Part D	84.318	074290/0607	4,417	-	3,802	4,417	615
				-	3,802	4,417	615
2005-06 Title II, Part A, Carryove	84.367	060520-0607	130,689	1,987	62,428	60,441	-
2006-07 Title II, Part A	84.367	070520/0607	128,828	-	76,125	106,055	29,930
				1,987	138,553	166,496	29,930
Passed-through Monroe School District:							
2006-07 Title III, Limited English Proficient Student:	84.365A		3,425	-	-	1,587	1,587
Total U.S. Department of Education				12,246	439,618	581,536	154,164
<b>Total Federal Financial Assistance</b>				<b>\$ 12,246</b>	<b>\$ 816,793</b>	<b>\$ 1,020,798</b>	<b>\$ 216,251</b>

1. This schedule is presented on the accrual basis of accounting.
2. Expenditures in this schedule are in agreement with amounts reported in the financial statements and the financial reports submitted with the Michigan Department of Education.
3. The amounts reported on the Recipient Entitlement Balance (PAL) Report agree with this schedule for USDA donated food commodities.
4. The amounts reported on the R7120 (Grants Section Auditor's Report) reconcile with this schedule.
5. Expenditures include spoilage or pilferage.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

October 16, 2007

Board of Education  
Airport Community Schools  
Carleton, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **AIRPORT COMMUNITY SCHOOLS** as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated October 16, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Airport Community Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Airport Community Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Airport Community Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Airport Community Schools' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Airport Community Schools' financial statements that is more than inconsequential will not be prevented or detected by Airport Community Schools' internal control.



A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by Airport Community Schools' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Airport Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, the Board of Education, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.



**REHMANN ROBSON**

*Certified Public Accountants*

A member of **THE REHMANN GROUP**

 an independent member of  
**BAKER TILLY**  
INTERNATIONAL

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

October 16, 2007

Board of Education  
Airport Community Schools  
Carleton, Michigan

**Compliance**

We have audited the compliance of **AIRPORT COMMUNITY SCHOOLS** with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Airport Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Airport Community Schools' management. Our responsibility is to express an opinion on Airport Community Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Airport Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Airport Community Schools' compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2007.

## **Internal Control Over Compliance**

The management of Airport Community Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Airport Community Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Airport Community Schools' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, the Board of Education, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive, flowing style.

# AIRPORT COMMUNITY SCHOOLS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2007

---

### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes X no

Significant deficiencies identified  
not considered to be material weaknesses? \_\_\_\_\_ yes X none reported

Noncompliance material to financial statements  
noted? \_\_\_\_\_ yes X no

#### Federal Awards

Internal Control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes X no

Significant deficiencies identified  
not considered to be material weaknesses? \_\_\_\_\_ yes X none reported

Type of auditors' report issued on compliance  
for major programs: Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with  
Circular A-133, Section 510(a)? \_\_\_\_\_ yes X no

# AIRPORT COMMUNITY SCHOOLS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Concluded)

FOR THE YEAR ENDED JUNE 30, 2007

---

### SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.556	Child Nutrition Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	<u>  X  </u> yes <u>      </u> no

### SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

### SECTION IV – PRIOR YEAR FINDINGS

No matters were reported.

\* \* \* \* \*